



PATENT

Attorney Docket No. 47004.000086

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of :

Kevin M. SULLIVAN

Serial No.: 09/761,763

Filed: January 18, 2001

For: SYSTEM AND METHOD FOR
ADMINISTERING A
BROKERAGE REBATE
PROGRAM

Group Art Unit: Not Assigned

Examiner: Not Assigned

Assistant Commissioner for Patents
U.S. Patent and Trademark Office
Washington, D.C. 20231

Sir:

**DECLARATION IN SUPPORT OF
AN INFORMATION DISCLOSURE STATEMENT**

Sir:

I, Kevin M. Sullivan, hereby declare:

1. I am presently Senior Vice President of Partnership Marketing for First USA Bank ("First USA Bank"), Inc., at Three Christina Centre, 201 North Walnut Street, Wilmington, DE 19801, and have been employed in that capacity since November 1997.
2. In accepting employment with First USA Bank in November 1997, an objective of my position was to establish and maintain partnership relationships with outside companies pertaining to the issuance of credit cards under various "co-branding" arrangements.

3. Prior to January 18, 2000, First USA Bank formed a partnership with an outside company (referred to below as "Company X"), where First USA Bank was to function as an issuer of credit cards, and Company X was to act as a "co-brander" of the credit cards.
4. First USA Bank and Company X signed an agreement to set forth the terms of their relationship. The agreement included confidentiality provisions (note Exhibit A), whereby the parties acknowledged and agreed that the terms of the agreement and all information provided to or in connection with either party's performance under the agreement shall be considered confidential, including information pertaining to inventions.
5. Prior to January 18, 2000, I conceived of a program whereby rebates earned through the use of a credit card could be applied to fund trades made using a brokerage service, thus providing a "Free Trades Program."
6. Prior to January 18, 2000, First USA Bank held a meeting (the "Meeting") with its partner, Company X. In that Meeting, First USA distributed an outline describing certain aspects of the Free Trades Program (see Exhibit B) to at least one representative of Company X. I was present at this meeting.
7. Based on my understanding, First USA Bank distributed the Free Trades Program outline to Company X to open a dialogue between First USA Bank and Company X regarding the Free Trades Program.
8. Based on my understanding, subsequent to the Meeting, there were no further discussions of any substantial nature between First USA Bank and Company X regarding the Free Trades Program, nor did First USA Bank and Company X take steps, as partners, toward implementing the Free Trades Program of any substantial nature.
9. I understand that the United States Patent and Trademark Office requires everyone involved in the prosecution of an application for a patent to disclose events that may have a material bearing on the examination of the application, and I am


accordingly submitting this Declaration to have the record reflect the above-described background event in the development of the above-captioned invention.

10. I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.


Kevin M. Sullivan

Respectfully submitted,

2/26/01
Date



Exhibit

A

If to FUSA:

FIRST USA BANK
Three Christina Centre
201 North Walnut Street
Wilmington, DE 19801
with a copy to: General Counsel

or to such other persons or address as either party shall designate to the other by written notice given in the foregoing manner. All such notices shall be deemed validly given when received.

16. Assignment. Company may not transfer, assign, or otherwise convey this Agreement or its rights or obligations hereunder without the prior written consent of FUSA. FUSA may transfer, assign, or otherwise convey this Agreement and any of its rights and obligations hereunder upon a minimum of sixty (60) prior written notice to Company and provided that (i) neither the assignee nor its affiliates compete with Company; (ii) that the assignee assumes (either expressly in writing or by operation of law) all of FUSA's rights and obligations under this Agreement; (iii) that the assignee is a member in good standing of MasterCard and Visa; (iv) that the assignee has a financial condition comparable to FUSA; and (v) that the assignee is ranked in the overall top thirty credit card issuers according to Faulkner and Gray publications. The term "compete with Company" as used in the preceding sentence shall mean a third party (including its affiliates) offering one or more of the same products or services as Company or offering a product or service representing a functional alternative for Company Customers.

17. Confidentiality.

(a) The parties acknowledge and agree that the terms of this Agreement and all information provided to or in connection with either party's performance under this Agreement shall be considered confidential and proprietary information ("Confidential Information") and shall not be disclosed to any third party without the prior written consent of the party providing the Confidential Information ("Disclosing Party"). Confidential Information shall include, without limitation: (i) names, addresses, and demographic, behavioral, and credit information relating to FUSA Cardholders, potential FUSA Cardholders or the lists provided to FUSA pursuant to Paragraph 3; (ii) marketing materials, strategies and targeting methods; (iii) business objectives, business strategies, schedules, databases, financial information, assets, trade secrets, processes, methods of operation, forecasts and properties; (iv) inventions (whether patentable or otherwise), technology, software development tools, designs, formulas, (space intentionally blank)

programs, algorithms, computer code, software design and architecture, schematics, programming techniques and technical, developmental, cost and processing information; and, also, (v) any information exchanged by the parties marked "Confidential". Nothing herein shall prohibit Company from disclosing the fact that this Agreement exists and the date of its expiration when negotiating with a potential replacement provider.

(b) The party receiving such Confidential Information ("Receiving Party") shall use Confidential Information only for the purpose of performing the terms of this Agreement and shall not accumulate in any way or make use of Confidential Information for any other purpose. The Receiving Party shall ensure that only its employees, authorized agents, or subcontractors who need to know Confidential Information to perform or comply with this Agreement will receive Confidential Information and that such persons agree to be bound by the provisions of this Paragraph and maintain the Confidential Information hereunder strictly confidential.

(c) The obligations with respect to Confidential Information shall not apply to information or Confidential Information that: (i) either party or its personnel already know at the time it is disclosed to that party as shown by its written records; (ii) is publicly known without breach of this Agreement; (iii) either party received from a third party authorized to disclose it without restriction; (iv) either party, its agents or subcontractors, developed independently without use of Confidential Information; or (v) either party is required by law, regulation or valid court or governmental agency order to disclose, in which case the party receiving such an order must give notice to the other party, allowing them to seek a protective order.

(d) Each party agrees that any unauthorized use or disclosure of Confidential Information may cause immediate and irreparable harm to the Disclosing Party for which money damages may not constitute an adequate remedy. In that event, each party agrees that injunctive relief may be warranted in addition to any other remedies the Disclosing Party may have. In addition, the Receiving Party agrees promptly to advise the Disclosing Party in writing of any unauthorized misappropriation, disclosure or use by any person of the Confidential Information which may come to its attention and to the extent that the Receiving Party is responsible for such unauthorized conduct, to take all appropriate steps at its own expense reasonably requested by the Disclosing Party to limit, stop or otherwise remedy such misappropriation, disclosure or use.

(e) Upon either party's demand, or upon the termination of this Agreement, the parties shall comply with each other's reasonable instructions regarding the disposition of Confidential Information which may include return of any and all Confidential Information (including any copies or reproductions thereof). Such compliance shall be certified in writing,

including a statement that no copies of confidential information have been kept.

(f) Except as necessary or appropriate for its performance under this Agreement, Company shall not use the name of FUSA, its affiliates or subsidiaries in connection with any representation, solicitation, promotion, sales or marketing publication or advertisement, or make any public statement relating to FUSA, its affiliates or subsidiaries, without the prior full disclosure of same to FUSA, and the prior written consent of FUSA.

18. Cure Period. In the event that either party defaults in the performance of any obligation hereunder and such default is capable of being cured, such party shall have thirty (30) days from the receipt of written notice of such default from the non-defaulting party to either (i) remedy the default, or (ii) if the default cannot be remedied within such thirty (30) day period, such time period shall be extended for an additional period of not more than thirty (30) days, so long as the defaulting party has notified the non-defaulting party in writing and in detail of its plans to initiate substantive steps to remedy the default and diligently thereafter pursue same, and the defaulting party has immediately, continuously and diligently pursued such plans in an attempt to cure such default as soon as possible. The cure period described in this Section 18 shall not apply to breaches of Confidentiality.


19. Exclusive Agreement. This Agreement constitutes the entire agreement of the parties with respect to the specific subject matter hereof and supersedes all previous written and/or oral agreements and understandings between the parties. Any modification of this Agreement must be in writing and signed by all the parties hereto.

20. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

21. Severability. Should any term of this Agreement be held invalid by a court or other tribunal of competent jurisdiction, such invalidity shall not affect the validity of any other term or condition hereof.

22. Waiver. Any waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall neither be considered a waiver nor deprive such party of any right to insist on strict adherence to such term or any other term of this Agreement. Any waiver must be in writing.

Exhibit B

 "Free Trades" Visa Card:
An Overview

Background

[REDACTED] and First USA are interested in maintaining credit card program momentum and attracting new cardholders among existing [REDACTED] customers

Currently [REDACTED] customers are exposed to one card offering:

- Low Rate: Low APR (9.99% APR) to appeal to majority of consumers who carry a balance and cite low rate as the most important attribute of a credit card

For most marketing channels, the [REDACTED] card portfolio enjoys high approval rates which is an indication of a high-end, credit-sophisticated customer base

- Often, these consumers are characterized by low card revolve rates and high annual card spend
- Some high-end consumers seek "added value" credit card offers which rewards their loyalty to the co-brand partner organization and for card usage itself
- The most successful credit cards in this area offer high perceived value of enhancement (e.g. at least 1% of spending) and offer a benefit that is closely related to partner's core business

[REDACTED] has agreed to allow First USA to propose a potential new card offering to bolster the card portfolio. This product could serve as a platform for a potential, future [REDACTED] consumer rewards program

- While it will attract new cardholders from the existing customer base, a major objective of any added-value card program is customer retention/for the card brand partner. Consumers are less likely to "disengage" from a relationship in which rewards are being earned or specific award levels are on the horizon

While new customer acquisition is clearly the focus of the on-line securities industry, [REDACTED] could gain a competitive advantage for the future by pursuing customer retention programs before competitors begin to focus keeping existing customers

Objective

Increase number of [REDACTED] card accounts in 1999

Ancillary Card Benefits: On Platinum, same as current [REDACTED] Platinum Card (year-end summary of charges, travel accident insurance, purchase protection, 24-hour customer service, etc.)

"Free Trades" Detail

Applicant must provide [REDACTED] account number selected for "Free Trades" benefit on card application. First USA maintains a record of this [REDACTED] account number linked to the card account so credits can be properly allocated

First USA will provide [REDACTED] with a monthly report of all anniversary "Free Trade" credits for the month, the credit amount, and the [REDACTED] account number. [REDACTED] will benefit from any "breakage" of non-usage and will create terms for when trade credits will expire

Revenue Sharing

On this product, [REDACTED] will receive \$15 for new, activated accounts through FUSA direct mail and \$25 for new, activated accounts through [REDACTED] web site (no finance charge revenue -- to accommodate consumer offer)

Strategy

Find alternate card product offering to appeal to extremely loyal, high-end [REDACTED] users who do not find appeal in the low rate card offering

Product Recommendation

[REDACTED] "Free Trades" Platinum and Classic Visa Cards

"Free Trades" Benefit: 1% of all spending (Net Purchases minus returns, refunds, balance transfers, convenience checks, cash advances) tracked in special section of monthly statement during year. At card anniversary, total amount of this pool is submitted to [REDACTED] which creates a customer "credit" for trades. Credit is used against next trades made against [REDACTED] account until fully utilized

4.9% Intro APR/15.99% Go-to APR: Excellent value when compared to industry added-value cards

Annual Fee: None

At the card anniversary date (monthly), First USA will submit funds to [REDACTED] to help compensate for the "Free Trades" based on the cardholders annual volume:

- \$0.40 of purchase volume

[REDACTED] will credit the customer's trading funds account for 1% of the annual card purchase volume as credit for fees related to trades only (not the overall value of an [REDACTED] securities account)

For example, a cardholder who spends \$3,400 on the card will see a \$34 trade credit upon anniversary. First USA will have submitted \$13.60 to [REDACTED] to significantly assist in funding this benefit

Target Market

Upscale [REDACTED] Customers: \$75K annual household income; incidence of several different financial services products; moderate to heavy trading; appropriate credit history; exposure to several significant added-value credit card offers over the past few years

Marketing Plan Elements

Direct Mail Test: FUSA creates random, full application target list of about 125,000 [REDACTED] customers during July or another 1999 campaign. Targeted creative focuses on "Free Trades" benefits and [REDACTED] loyalty. Tested against low rate offer made to similar population

On-Line Test: [REDACTED] "Free Trades" Visa Card could be sequenced into [REDACTED] site offering as test against low rate product. Marketing messages will focus on ability to earn points for trade credits

Broader Reach: If successful, the product could be offered to greater numbers of [REDACTED] cardholders in future campaigns – direct mail, on-line, etc.

Next Steps

Discussion between both organizations about product configuration, information transferal, marketing execution, [REDACTED] customer retention potential offered by product, timing

Review sample creative: First USA to provide samples of potential direct mail copy for input from [REDACTED]